BRIDGING THE ACCOUNTING VS. OPERATIONS GAP

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FOUNDATION software

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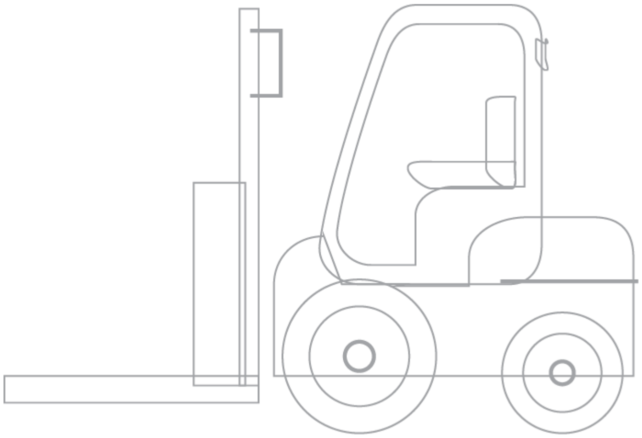
To win jobs and work as efficiently and profitably as possible, construction executives need detailed, reliable data about their businesses, and they need instant access to financial statements. When used correctly, new construction-specific accounting software applications help turn information from accounting and operations departments into concise representations of data that aid decision-making immeasurably. The real challenge comes when trying to implement a new software purchase companywide. Accounting personnel understand their arena: payroll, billing customers and paying vendors. The operations department understand its arena: tracking job performance, scheduling job resources and managing the documentation required on jobs. But with today's turbulent economic conditions, it is more important than ever for both departments to work in unison for a successful software implementation.

MAKING THE NEW SOFTWARE WORK ACROSS DEPARTMENTS



Most businesses experience some level of disconnect among their various departments. The typical construction office is no exception. That's why it's critical to establish company-wide goals and expectations prior to purchasing a new software system. Accounting and operations should work as a team to outline everything each needs (both absolutes and wish list items) before even looking at a particular system. These items should be considered during the software selection phase and thoroughly discussed with the software vendor before planning the implementation.

UNDERSTAND DEPARTMENTAL REQUIREMENTS

Employees frequently fail to understand how their practices affect other departments. Take something as basic as coding. Does the field staff have a coding system in place for job take-offs, time sheets, daily field logs or pick tickets of materials used? Do these field coding methods align with what the accounting staff will use to enter data into the new accounting system? Looking at payroll entry specifically, the accounting staff may use a very basic list of codes for breaking down the job (or none at all), while the field staff may require a more elaborate breakdown. If the codes used in the accounting department vary from the codes used in the field, inaccuracies can occur with the data entry. This possibility of this discrepancy alone can render the job-cost reports useless.

REPORTS THAT SATISFY EVERYONE

Most quality accounting systems offer accounting, job costing and document-control capabilities, but this robust functionality requires upfront planning to ensure all users get the exact information needed to run reports. For example, project managers and operations users like to track their purchase orders, subcontracts and change orders because they (not accounting) may ultimately be responsible for these items. To further complicate matters, document statuses can include approved, pending, rejected, estimated or internal. Keeping these complexities in mind, accounting users need to work with operations staff when implementing new software, as the ramifications of categorizing these documents improperly can be significant.

For instance, an over/under billings report is one of the most important reports in a construction accounting system. Many controllers and external CPAs prefer to show the original budget and original contract on this report, and it is also common to display only approved and internal change orders on in the revised contract and revised estimated costs columns. These tracking decisions have a critical impact on the job's reported percent complete. Pushing change orders from pending to approved status too soon could negatively impact over/under-billings report and, ultimately, affect the company's bonding capacity. This once again requires good, systematic communication between operations and accounting.

HARMONY THROUGH PROPER WORKFLOW

Establishing good workflow practices among all departments can prevent future frustrations. It may make sense for operations to establish the purchase orders and subcontracts in the accounting software and then receive against them as the material is shipped or as the subcontractor progresses through its part of the job. As accounting receives the invoices from the vendor or subcontractor, approval from a project manager is often required. Whether the invoice is scanned and sent to the project manager or simply placed on his desk, that project manager needs to approve it, code it and send it back to accounting in a timely manner. In order to generate accurate reporting, it is imperative that the correct data feed back seamlessly into the accounting department. Setting up concise workflows between purchase orders, accounts payable invoice scanning and approval tasks has to be discussed between the two departments to guarantee data reliability.

Another workflow example involves timing considerations. If accounting routes invoices with large dollar amounts to a project manager for approval and he doesn't approve them in a timely manner, it could have negative consequences for another manager who relies on that data. When reviewing current job-cost reports, project managers may miss significant dollars for material, equipment and subcontract costs if they elect to show only approved invoices on the reports. Both departments must set guidelines for routing and approvals and understand how these integrate with accounting reports.

Overall, the key to success is keeping the communication flowing between these two critical parts of the business. The more they communicate, understand how each area uses information and establish agreeable workflows, the more the new software investment will benefit the entire company.

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